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Before the
Federal Communications Commission
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In The Matter of)

Inquiry into)
Encryption Technology)
for Satellite Cable)
Programming)

PP Docket No. 92-234

REPLY COMMENTS OF LEE HADLOCK INC.

Dated January 22, 1993.

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Introduction

Lee Hadlock Inc is filing the following comments as a reply to original comments filed in the above noted proceeding (FCC 92-234). We felt it necessary to offer our opinion along with certain factual accounts, because it is clear from the documents thus far filed that the Commission has not been provided with information in areas deeply affected by the presence of (or lack of) competition in the HSD decoder marketplace.

Perspective

Lee Hadlock Inc. is an independent repair and service center located in Hot Springs, Arkansas. It is solely owned and managed by myself, Lee Hadlock. I have 16 years of professional experience as an electronic service engineer repairing broadcast television equipment for the major networks and several independent New York based production studios. I have served as a consultant for two of the top cable programming services, and I am in high standing with the Better Business Bureau here in Hot Springs.

Presently, Lee Hadlock Inc. repairs most types of electronics products including camcorders, laser disc players, and VCRs for consumers and retailers throughout the country (95% of our customers are located in rural regions where skilled local technicians are not available). We have been servicing General Instrument's VCII products for the past six years. Our prices are very reasonable, and we provide a 24 hour turn-around-time on most repairs.

Comments

The Commission should be commended for bringing the decoder

competition issue to the public for comment. However, it should be noted that when one asks a servant to offer his opinion of the King, the servant is liable to get his head chopped off. Had IRD manufacturers filed comments in this proceeding, we would not have felt such an urge to do so. But their reticence is understandable. We, on the other hand, have less to lose as General Instrument appears to find our VCII repair service contemptible.

As it is clearly the case that there is no competition in the supply and manufacture of satellite decoders for the HSD marketplace, it is also true that GI does not authorize any independent repair center to service VCII products (including Plus and RS). The Commission is accurate in its Notice when it states that "GIC controls, directly or indirectly, the production of VCII decoder modules." GI, however, makes a grave error in countering the Commission's insight when it states that no "meaningful control over supply of those modules has ever existed."

Because there is no competition in the supply and manufacture of these decoders, the industry (and consumers in particular) are at a marked disadvantage.¹ As well, because there are no authorized service centers (outside of GI), General Instrument has gouged consumers in their pricing, and a backlog of service work has created lengthy response times for consumers.²

¹ We find no reason to restate the effects of GI's monopoly on the satellite industry. The Consumer Satellite Coalition addresses that matter at length and several points are raised throughout other comments filed with Commission.

² VCII repair and service is not a small business. We estimate that home satellite consumers have spent over \$50 million in the past six years on service alone. This has been the icing on GI's already heavily frosted cake.

Even though Lee Hadlock Inc. is not able to purchase customized parts from GI at fair prices, our technical competence, fast turn-around-time, and low pricing has enabled us to be fairly successful over the years. However, if we were able to buy customized parts at fair market value, and if we were provided the customary manufacturer support, we would be in a better position to provide even lower cost repairs to the thousands of HSD consumers with damaged VCII products.

Encouraging Competition

Following trade press reports on the development of competition in the supply of VCII-compatible equipment, we have spoken with both DECTEC International and Titan Satellite Systems regarding repair and service policies. Both companies, who are initially concerned with getting a decoder into the marketplace, expressed genuine interest in authorizing Lee Hadlock Inc. and other professional centers to perform consumer decoder repairs. As companies operating under the pretext that their product would vie for consumer dollars in a healthy and competitive environment, both TITAN and DECTEC responded rather warmly to our inquiries. On the other hand, we have never received anything but arrogant and belittling responses from GI regarding our interest in becoming an authorized service center.³

³ See letters attached.

Conclusion

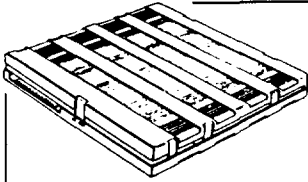
The issues raised in your Notice cover a vast amount of ground, including the upcoming digital environment. All of the areas brought into focus invite complex arguments surrounding the DBS Authorization Center, the development of technical standards, the role of property and patent rights, the transition to a digital environment, and the position of the FCC in regulating or administering controls.

We have not made an attempt to speak to any of these rather important and ubiquitous subjects, but instead offer a specific example illustrating the malign effects of the present GI monopoly.

We appreciate the task set before the Commission and the satellite industry in determining whether or not (and how) competition may be introduced into the decoder marketplace. Quite simply, we believe that fair and equitable business practices will only emerge where there is competition. We are not confident that any alternative VCII technology provider will be able to introduce competition without the support of programmers, the cable industry, or government. It is our opinion that the majority of companies which directly comprise the HSD industry and the HSD marketplace itself is not in the position to openly encourage and support a competitor to General Instrument at this time.

Submitted by:

Lee Hadlock
Lee Hadlock Inc.
500 Kelley Drive
Hot Springs, AR 71913
(501) 623-3003



LEE HADLOCK, INC.

500 Kelley Hollow Drive • Hot Springs, AR 71913 • 1-501-623-3003 • 1-800-545-1151
(orders only)

J. Lawrence Dunham
Videocipher Division
General Instrument Corp/Forstmann Little Inc.
6262 Lusk Blvd.
Mira Mesa Business Park
San Diego, CA 92121

February 4, 1991

Dear Mr Dunham,

As you may already be aware, I have been repairing and servicing Videocipher modules for the past four years. My work has earned me an excellent reputation and I plan to continue the operation of my repair center. However, I find that the only way I can obtain the parts required to repair damaged and failed older VC II and VCII Plus modules is to purchase units which I take apart and sell as scrap. My repair process would be more focused if I could purchase the parts directly from you or an authorized sales agent. I am interested in receiving a parts price list.

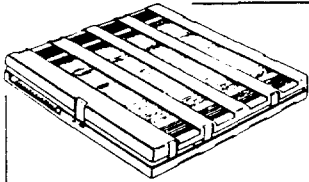
I am available for further discussion regarding this request, and I invite you to visit my shop at our mutual convenience.

Towards a continuing business rapport, I thank you for your attention in this matter.

Sincerely,

Lee Hadlock

"The Only Alternative" Quality VC II Repair



LEE HADLOCK, INC.

500 Kelley Hollow Drive • Hot Springs, AR 71913 • 1-501-623-3003 • 1-800-545-1151
(orders only)

April 12, 1992

Mr. Jim Bunker
General Instrument
6262 Lusk Blvd.
Mira Mesa Business Park
San Diego, CA 92121

Dear Mr. Bunker,

Following-up on correspondence addressed to Mr. Larry Dunham on February 4, 1991, I am requesting a list of parts and prices which are needed in the repair and servicing of VCII Plus and the RS descrambler modules produced by your company.

I understand that at this time, you have not officially authorized any repair company to service your Videocipher products. However, as you know many companies such as my own have been advertising Videocipher repair services for several years.

As a matter of general background, I have been repairing all types of consumer electronics equipment for over fifteen years. This includes VCRs, broadcast and consumer brand video cameras, broadcast and industrial grade videotape players and recorders, and satellite reception receivers and descramblers. Over my 15 years in the electronic repair business, I have serviced equipment for cable operators, broadcasters, programmers, production companies, and satellite retailers. As such, I have built a highly credible and well-equipped repair facility.

Of late, I have received many requests to repair VCII Plus satellite descramblers. I would be in a better position to repair these products if I were able to purchase parts from you directly.

I look forward to any materials which you think would be of benefit to a repair facility which prides itself on maintaining a high calibre of workmanship and performance which includes same day service on all repairs. As well, I'd be interested in becoming an authorized GI repair center. Please inform me if you require any additional information about my company.

Very Truly Yours,

Lee Hadlock

"The Only Alternative" Quality VC II Repair

**GENERAL
INSTRUMENT**

VideoCipher Division
General Instrument Corporation
6262 Lusk Boulevard
San Diego, CA 92121
619/455-1500
FAX 619/535-2486

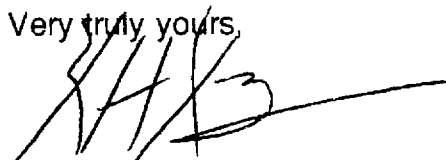
May 4, 1992

Mr. Lee Hadlock
Lee Hadlock, Inc.
500 Kelley Hollow Drive
Hot Springs, AR 71913

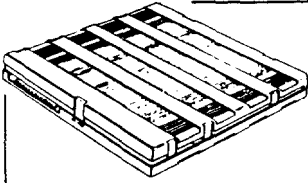
Mr. Hadlock:

We are not interested.

Very truly yours,



General Instrument



LEE HADLOCK, INC.

500 Kelley Hollow Drive • Hot Springs, AR 71913 • 1-501-623-3003 • 1-800-545-1151
(orders only)

September 2, 1992

Mr. Jim Bunker
General Instrument
6262 Lusk Blvd.
Mira Mesa Business Park
San Diego, CA 92121

Dear Mr Bunker,

I have received your letter dated May 4, 1992 which seemed to suggest that you were not interested in allowing my company to purchase parts from yours in order to repair commercial and consumer Videocipher descrambling convertor boxes of which General Instrument has produced and sold 5 million to the general public.

It is also my understanding that you require all of your consumer electronic distributors and retailers to send Videocipher product in need of repair to the General Instrument service center. Additionally, I have been informed that GI charges these companies and the public 58% to 72% more for service work than does independent repair centers like Hadlock Inc.

To reiterate my previous request for a parts list (see my letter of April 12, 1992), I have received many requests to repair VCII Plus satellite descramblers. I would be in a better position to repair these products if I were able to purchase parts from you directly.

Again, I ask that you look into this matter and respond in a professional manner.

Sincerely,

Lee Hadlock

"The Only Alternative" Quality VC II Repair

**GENERAL
INSTRUMENT**

VideoCipher Division
General Instrument Corporation
6262 Lusk Boulevard
San Diego, CA 92121
619/455-1500
FAX 619/535-2486

September 16, 1992

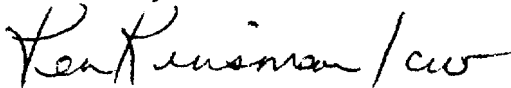
Mr. Lee Hadlock
Lee Hadlock, Inc.
500 Kelley Hollow Drive
Hot Springs, AR 71913

Dear Mr. Hadlock:

Your facts are all screwed up. We have no interest in doing business with you, regardless, and won't.

I hope this is clear enough.

Yours truly,

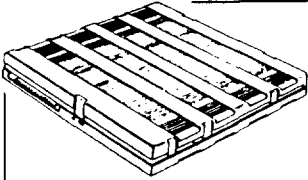
Handwritten signature of Kenneth H. Kinsman, followed by the initials "cw".

Kenneth H. Kinsman
Senior Vice President
Domestic Products

KHK/cw

(dictated but not read)

cc: Jim Bunker



LEE HADLOCK, INC.

500 Kelley Hollow Drive • Hot Springs, AR 71913 • 1-501-623-3003 • 1-800-545-1151
(orders only)

1 September 1992

Mr Tom Ortoff
Titan Satellite Systems
Titan Corp
3033 Science Park Road
San Diego, CA 92121

Dear Mr Ortoff,

I was pleased to learn that a representative from Titan visited our booth at the SBCA trade show in Baltimore last month. My executive assistant, Donnia Woodall, was impressed by some of the plans Titan seems to have in store for the satellite industry. As you are already aware, this industry is more than ready for competition in the decoder marketplace and we at Hadlock Inc wish you the best in your endeavors.

Following-up on Ms. Woodall's discussion, I would like to reiterate our interest in becoming an authorized service and repair center for the Linkabit Smart Card System. Over the past 6 years, Lee Hadlock Inc has serviced countless VCII and VCII Plus modules for dealers and distributors throughout the country. Our work here is first rate. Our prices are very reasonable, and we provide a 24 hour turn around time on most repairs. Aside from our expertise on satellite television decoders, I have 15 years of personal experience as an electronic service engineer repairing broadcast television equipment for the major networks and several independent New York based production studios. I have served as a consultant for two of the top cable programming services, and I am in high standing with the Better Business Bureau here in Little Rock.

Like most others in the satellite industry, we anxiously await the positive affects that Titan will have when it opens the satellite decoder market to competition. We sincerely hope that we are able to provide authorized service and repair on your Linkabit SCS decoder to further demonstrate to dealers, consumers and Washington the many benefits of competition.

I look forward to your response, and we wish you success.

Sincerely,

Lee Hadlock

cc: Dr. Gene Ray, President Titan Corp.

"The Only Alternative" Quality VC II Repair



17 September 1992

Mr. Lee Hadlock
Lee Hadlock, Inc.
500 Kelley Hollow Drive
Hot Springs, AR 71913

Dear Lee,

Thank you for your kind letter and request to be an authorized service center for Linkabit SCS™ modules. We will give your request serious consideration as we move forward with our project. Honestly, at this point we have not yet decided on an approach to service, but will let you know.

Thanks again,

A handwritten signature in dark ink, appearing to read "Tom A. Orloff". The signature is fluid and cursive, with a large loop at the end. It is positioned above the printed name "Tom A. Orloff".

Tom A. Orloff
President
Titan Satellite Systems Corporation